

Quebec Sturgeon River

MINES LIMITED

(formerly Sturgeon River Mines Limited)

31st

ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1964

Quebec Sturgeon River

MINES LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1964

To be submitted to the

**THIRTY-FIRST ANNUAL MEETING
OF SHAREHOLDERS**

at

TORONTO, ONTARIO

on

June 30th, 1965

HEAD OFFICE

Suite 903, 330 Bay Street, Toronto

Officers and Directors

M. J. BOYLEN, D.C.L., D.Sc., President and Director	- - - -	Toronto, Ontario
C. S. KENNEDY, C.A., Vice-President and Director	- - - -	Toronto, Ontario
MONTALIEU NESBITT, Q.C., Director	- - - -	Woodstock, Ontario
R. J. ISAACS, B.A.Sc., P.Eng., Director	- - - -	Toronto, Ontario
D. W. GORDON, F.C.I.S., Secretary-Treasurer and Director	- -	Toronto, Ontario

Auditors

TOUCHE, ROSS, BAILEY & SMART	- - - -	Toronto, Ontario
------------------------------	---------	------------------

Registrar and Transfer Agent

GUARANTY TRUST COMPANY OF CANADA	- - - -	Toronto, Ontario
----------------------------------	---------	------------------

QUEBEC STURGEON RIVER MINES LIMITED

To the Shareholders:

In this report you will find the Company's balance sheet as at December 31st, 1964, statements of Profit & Loss, and of Pre-production and Deferred Development Expenditures for the year 1964, and your Auditors' Report.

Supplementary Letters Patent were issued under date of June 4th, 1964, which effected a consolidation of the issued shares of the Company on the basis of one (1) new share for each four (4) shares formerly held, and changed the name of the Company from Sturgeon River Mines Limited to Quebec Sturgeon River Mines Limited. Subsequently shareholders of record July 20th, 1964, received rights (expiring September 24th, 1964) to subscribe for one (1) additional share at 40¢ for each share then held. These rights were exercised on 644,276 shares.

Work on the Company's Bachelor Lake property included a geophysical survey over a part of the mining claims. This indicated an extension of the favourable geological area containing The Coniagas Mines, Limited silver, lead, zinc deposit, into the northern section of our property. Several anomalies along the boundary between the two properties were investigated by diamond drilling and disclosed heavy mineralization but did not contain ore grade quantities of economic minerals. It is felt that a great deal of additional work is warranted. Drilling carried out on the southerly claims of the property for exploration and assessment work purposes, intersected good geological conditions which justify further exploration. This drilling was a considerable distance to the south of the proven gold deposit.

Soil sampling was carried out on the Company's New Brunswick claims in an endeavour to extend and determine the attitude of the molybdenite bearing vein intersected in a diamond drill hole in the fall of 1963. Quite extensive concentrations of molybdenite were obtained, but drill holes under the highest readings did not locate the source. The property is receiving further study in an endeavour to locate the deposit responsible for the soil concentrations. This property also contains a deposit of Silver Lead Zinc ore estimated at a possible 367,500 tons developed. It has been opened up by a 550 ft. shaft and 1,958 ft. of drifting. Consideration is being given to resumption of work on this deposit

The Company's licenses on the mining claims at Gull Pond, Newfoundland expired during the year, and application has been made for their renewal. However, as of the year end, on the advice of the Company's Auditors, the book value of these claims, and the amount expended in development work on them, have been dealt with as set out in the notes to the Financial Statements.

Titles to your gold mine near Nezhah, Ontario, have been retained in good standing.

It is the policy of the Company to hold its gold properties in readiness for production as and when economic conditions indicate that a satisfactory profit can be realized. In the case of the Company's original mine near Nezhah, Ontario, an increase in the price of gold would seem a necessity. For the Company's Bachelor Lake property either the availability of milling facilities without a large capital expenditure, or cheap hydro electric power would, in the opinion of management, render the operation of the property profitable. The Quebec Hydro Electric Power Commission are gradually extending their lines closer to our property, so it appears to be only a question of time until it is available in the district. The ever increasing demand for gold throughout the world indicates that the long awaited upward adjustment in the price will ultimately occur. With two proven gold properties, your Company stands to benefit handsomely.

Respectfully submitted,

M. J. BOYLEN,
President.

Toronto, Ontario,
June 18, 1965.

QUEBEC STURGEON

(Incorporated under the

BALANCE SHEET AS

ASSETS

		1963 Comparative Figures
Current assets:		
Cash	\$ 49,310	\$ 2,222
Miscellaneous accounts receivable	1,378	—
Mining stores and supplies	4,296	4,296
Prepaid insurance	347	336
	<u>\$ 55,331</u>	<u>6,854</u>
Investments: (Note 1)		
Mining stocks, at cost (quoted market value \$88,242)	173,896	175,696
5% unsecured, deferred, subordinate note due November 30, 1965, Beauce Placer Mining Company Limited	175,000	175,000
	<u>348,896</u>	<u>350,696</u>
Capital assets, at cost:		
Land	400	400
Buildings, structures, improvements, plant and equipment (Note 2)	208,013	207,999
Mining properties (Notes 3 and 5)	517,267	855,711
Preproduction and deferred development expenditures	1,240,690	1,219,706
	<u>1,966,370</u>	<u>2,283,816</u>
	<u><u>\$2,370,597</u></u>	<u><u>\$2,641,366</u></u>

The attached notes are an

Audit

The Shareholders,
Quebec Sturgeon River Mines Limited.

We have examined the balance sheet of Quebec Sturgeon River Mines Limited (formerly Sturg and preproduction and deferred development expenditures for the year ended on that date. Our ex other supporting evidence as we considered necessary in the circumstances.

In our opinion, the balance sheet and related statements of the profit and loss account ar as at December 31, 1964 and its transactions for the year ended on that date, in accordance with ge

Toronto, Ontario,
April 9, 1965.

IVER MINES LIMITED

Corporations Act — Ontario)

DECEMBER 31, 1964

LIABILITIES

		1963 Comparative Figures
Accounts payable and accrued liabilities	\$ 3,286	\$ 2,863
The Coniagas Mines, Limited		
Current	\$ 3,961	2,497
Advances (including accrued interest of \$43,647)	314,396	459,088
	318,357	461,585

SHAREHOLDERS' EQUITY

Capital:

Authorized (Note 4)		
5,000,000 shares of \$1 each par value		
Issued (Note 6)		
1,894,215 shares	\$1,894,215	\$4,999,758
Less discount on shares	1,164,035	3,109,879
	730,180	1,889,879
Surplus arising on cancellation of shares (Note 5)	1,037,818	—
Profit and loss account, balance at credit	280,956	287,039
	2,048,954	2,176,918

Approved on behalf of the Board:

M. J. BOYLEN, Director.

C. S. KENNEDY, Director.

\$2,370,597

\$2,641,366

ral part of this statement.

Report

er Mines Limited) as at December 31, 1964 and the related statements of the profit and loss account
on included a general review of the accounting procedures and such tests of accounting records and

roduction and deferred development expenditures present fairly the financial position of the company
accepted accounting principles applied on a basis consistent with that of the preceding year.

TOUCHE, ROSS, BAILEY & SMART,
Chartered Accountants.

QUEBEC STURGEON RIVER MINES LIMITED

STATEMENT OF THE PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 1964

Balance at credit, January 1, 1964	\$ 287,039
Legal fees and other expenses of obtaining supplementary letters patent authorizing the cancellation of shares	6,083
Balance at credit, December 31, 1964	<u>\$ 280,956</u>

STATEMENT OF PREPRODUCTION AND DEFERRED DEVELOPMENT EXPENDITURES

FOR THE YEAR ENDED DECEMBER 31, 1964

		1963 Comparative Figures
Balance at January 1, 1964	\$1,219,706	\$ 862,415
Ontario property:		
Taxes	529	(1,224)
Quebec property:		
Mining		
Shaft sinking	\$ 65	
Surface explorations	1,971	
	<u>\$ 2,036</u>	
Administrative and general		
Interest on advances	23,687	
Administrative and office	5,936	
Insurance and taxes	1,451	
	<u>31,074</u>	
	33,110	330,815
New Brunswick Property:		
Residence expense	52	
Taxes	3,121	
	<u>3,173</u>	
Less rental of residence	480	
	<u>2,693</u>	
Adjustment of prior year charge to mining properties account — exploration expense	14,168	
	16,861	(1,816)
Newfoundland property:		
Taxes	75	29,516
	<u>1,270,281</u>	<u>1,219,706</u>
Less accumulated expenditure on mining property (Newfoundland) charged to the "surplus arising on cancellation of shares" (Note 5)	29,591	—
Balance at December 31, 1964	<u>\$1,240,690</u>	<u>\$1,219,706</u>

The attached notes are an integral part of this statement.

QUEBEC STURGEON RIVER MINES LIMITED

Notes to the Financial Statements

AS AT DECEMBER 31, 1964

1. INVESTMENTS:

Mining stocks and the deferred note receivable from Beauce Placer Mining Company Limited are valued at cost or the amount advanced, whereas the current quoted market values of the stocks (as set forth below) have depreciated from the original cost, and the collectibility of the note is dependent upon successful operations of the Beauce company. Interest on this note is in arrears since its date of issue in 1961. Details of the mining stocks are as follows:

	Cost	Quoted Market Value
Bralorne Pioneer Mines Limited		
2,000 shares (at cost, less depletion written off)	\$ 14,935	\$ 10,400
First Maritime Mining Corporation Ltd. — 10,000 shares	120,480	39,500
Beauce Placer Mining Company Limited — 294,938 shares	38,481	38,342
	<u>\$ 173,896</u>	<u>\$ 88,242</u>

The "market value" of the Beauce Placer shares is based upon the "bid" price for such shares, which have been traded only in small quantities throughout 1964 and into 1965.

- The cost of buildings structures, improvements, plant and equipment (\$208,013) comprises mainly those assets located at the company's Bachelor Lake property. No provision for depreciation of these assets has been made in the accounts.
- None of the company's mining properties were producing during 1964. The mining properties account includes \$18,000 paid in 1964 under an agreement to acquire the Bachelor Lake mining claims. In accordance with the terms of this agreement, the company is required to pay an additional \$221,000 to complete the purchase of these claims, payable in quarterly instalments of at least \$4,500. Failure to make the required payments will render the agreement liable to cancellation.
- On June 4, 1964 the company obtained supplementary letters patent changing its name to Quebec Sturgeon River Mines Limited and reorganizing its capital stock. The authorized share capital was
 - reduced from \$5,000,000 to \$1,250,181 by the cancellation pro rata of 3,749,819 shares of its issued capital stock, and
 - increased from \$1,250,181 to \$5,000,000 by creating an additional 3,749,819 shares with a par value of \$1 each ranking on a parity with the existing shares of the company.
- Following the cancellation of the 3,749,819 issued shares, the net book value of these shares \$1,417,409 (par value \$3,749,819 less discount of \$2,332,410) has been transferred to "surplus arising on cancellation of shares." Title to the company's Newfoundland property (Gull Pond) expired during the year and the cost of the claims (\$350,000) and the related development expenditures on the property (\$29,591) totalling \$379,591 have been written off to the "surplus arising on cancellation of shares" leaving a balance in the account at December 31, 1964 of \$1,037,818.
- Subsequent to obtaining the supplementary letters patent, the company issued subscription warrants (expiring September 10, 1964) to its shareholders entitling them to purchase shares at 40 cents a share. 644,276 shares were taken up under this offering for \$257,710 (\$386,566 discount).

